

The Mount Royal University Foundation
FINANCIAL STATEMENTS

Year Ended
June 30, 2017



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Mount Royal University Foundation

We have audited the accompanying financial statements of The Mount Royal University Foundation, which comprise the statement of financial position as at June 30, 2017, the statements of operations and accumulated surplus (deficit) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Mount Royal University Foundation as at June 30, 2017, and its results of operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants

September 27, 2017

Calgary, Canada

THE MOUNT ROYAL UNIVERSITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2017, WITH COMPARATIVE INFORMATION FOR 2016

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash	\$ 266,619	\$ 458,822
Accounts receivable	<u>-</u>	<u>1,041</u>
	<u>266,619</u>	<u>459,863</u>
LIABILITIES		
Accounts payable and accrued liabilities (note 5)	\$ 266,519	421,078
Deferred revenue (note 6)	<u>-</u>	<u>38,685</u>
	<u>266,519</u>	<u>459,763</u>
NET FINANCIAL ASSETS	<u>\$ 100</u>	<u>\$ 100</u>
NET ASSETS	<u>\$ 100</u>	<u>\$ 100</u>
Net assets is comprised of:		
Accumulated surplus (Note 7)	<u>\$ 100</u>	<u>\$ 100</u>

Approved by the Board of Directors (note 14):



 Scott Calver, Chair Finance Committee



 Terry Kellam, Executive Director

The accompanying notes are an integral part of these financial statements.

THE MOUNT ROYAL UNIVERSITY FOUNDATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE INFORMATION FOR 2016

	<u>Budget</u>	<u>2017</u>	<u>2016</u>
REVENUES			
Donations and grants	\$ 7,000,000	\$ 4,004,695	\$ 13,581,236
Contributions from Mount Royal University	1,789,807	1,815,325	2,018,359
Fundraising events	-	44,314	50,509
	<u>8,789,807</u>	<u>5,864,334</u>	<u>15,650,104</u>
EXPENSES (NOTE 8)			
Administration	1,789,807	1,815,325	1,507,140
Transfers to Mount Royal University	7,000,000	4,010,324	13,589,426
Scholarship costs	-	38,685	-
Fundraising event costs	-	-	42,320
	<u>8,789,807</u>	<u>5,864,334</u>	<u>15,138,886</u>
Annual operating surplus	<u>-</u>	<u>-</u>	<u>511,218</u>
Annual surplus	-	-	511,218
Accumulated surplus (deficit), beginning of year	<u>100</u>	<u>100</u>	<u>(511,118)</u>
Accumulated surplus, end of year	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 100</u>

The accompanying notes are an integral part of these financial statements.

THE MOUNT ROYAL UNIVERSITY FOUNDATION
 STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT)
 FOR THE YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE INFORMATION FOR 2016

	<u>Budget</u>	<u>2017</u>	<u>2016</u>
Annual surplus	\$ -	\$ -	\$ 511,218
Net financial assets (net debt), beginning of year	100	100	(511,118)
Net financial assets, end of year	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 100</u>

The accompanying notes are an integral part of these financial statements

THE MOUNT ROYAL UNIVERSITY FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE INFORMATION FOR 2016

	<u>2017</u>	<u>2016</u>
OPERATING TRANSACTIONS		
Annual surplus	\$ -	\$ 511,218
Non-cash items:		
Decrease in accounts receivable	1,041	1,412
Decrease in endowments	-	(23,334)
Decrease in accounts payable and accrued liabilities	(154,559)	(1,499,706)
Decrease in deferred revenue	<u>(38,685)</u>	<u>(16,306)</u>
Cash used by operating transactions	<u>(192,203)</u>	<u>(1,026,716)</u>
Decrease in cash	(192,203)	(1,026,716)
Cash, beginning of year	<u>458,822</u>	<u>1,485,538</u>
Cash, end of year	<u><u>\$ 266,619</u></u>	<u><u>\$ 458,822</u></u>

The accompanying notes are an integral part of these financial statements

**THE MOUNT ROYAL UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE INFORMATION FOR 2016**

1. Authority and Purpose

The Mount Royal University Foundation (the "Foundation") was incorporated under Part 9 of the Companies Act of Alberta on March 26, 1991. The Foundation is registered with Canada Revenue Agency as a charitable organization. The Foundation's operations are conducted for the purpose of raising funds for Mount Royal University (the "University"). The University makes a contribution to the Foundation to offset administration costs. The Board of Directors of the Foundation is elected annually by the Shareholders of the Foundation at its Annual General Meeting. Each Director commits to reappointment for a minimum three-year term.

2. Summary of Significant Accounting Policies and Reporting Practices

(a) General – Public Sector Accounting Standards (PSAS) and the use of estimates

These financial statements have been prepared in accordance with Public Sector Accounting Standards (PSAS) for not for profit organizations. The measurement of certain assets and liabilities is contingent upon future events; therefore, the preparation of these financial statements requires the use of estimates, which may vary from actual results. The Foundation administration uses judgment to determine such estimates. Accruals for accounts payable and accrued liabilities are the most significant items based on estimates. In administration's opinion, the resulting estimates are within reasonable limits of materiality and are in accordance with the significant accounting policies summarized below. These significant accounting policies are presented to assist the reader in evaluating these financial statements and, together with the following notes, should be considered an integral part of the financial statements.

(b) Non-Use of Statement of Remeasurement Gains and Losses

As there are no items to be reported on the statement of remeasurement gains and losses, the statement has not been prepared.

(c) Valuation of Financial Assets and Liabilities

The Foundation's financial assets and liabilities are generally measured as follows:

<u>Financial statement component</u>	<u>Measurement</u>
Cash	Cost
Accounts receivable.....	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations.

(d) Revenue Recognition

All revenues are recognized on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

The Foundation recognizes grants, donations and other contributions as follows:

Grants and Donations

Restricted grants and donations are recognized as deferred revenue if the terms for use, or the terms along with the Foundation's actions and communications as to the use, create a liability. These grants and donations are recognized as revenue when the terms are met.

**THE MOUNT ROYAL UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE INFORMATION FOR 2016**

2. Summary of Significant Accounting Policies and Reporting Practices (continued)

(d) Revenue Recognition (continued)

Unrestricted grants and donations are recognized as revenue in the year received or in the year the funds are committed to the Foundation if an estimate of the amount can be made and it is expected the benefits will be obtained.

In kind donations of services and materials are recorded as revenue at their fair value on the date of donation except in circumstances when such value cannot reasonably be determined, which are then recognized at nominal value.

Fundraising Events

Revenue from fundraising events held for a specific purpose is recognized when received or receivable, and the event is complete.

(e) Future Accounting Changes

In March 2015, the Public Sector Accounting Board issued PS 2200 Related party disclosures and PS 3420 Inter-entity transactions. In June 2015, the Public Sector Accounting Board issued PS 3210 Assets, PS 3320 Contingent assets, PS 3380 Contractual rights, and PS 3430 Restructuring transactions. These accounting standards are effective for fiscal years starting on or after April 1, 2017, with the exception of PS 3430, which is effective for fiscal years starting on or after April 1, 2018.

- PS 2200 – Related party disclosures defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members

The extent of the impact of adoption of these standards has not yet been determined.

3. Change in Reporting Practices

Adoption of the Net Debt Model

The net debt model (with reclassification of comparatives) has been adopted for the presentation of financial statements. Net financial asset or net debt is measured as the difference between the Foundation's financial assets and liabilities.

The effect of this change results in changing the presentation of the statement of financial position and adding the statement of change in net financial assets (net debt).

4. Financial Risk Management

Financial instruments include cash and contractual rights to receive or deliver cash. It is management's opinion that the Foundation is not exposed to significant interest or currency risks arising from financial instruments. Credit risk is the risk that a counter-party will default on its contractual obligations resulting in a financial loss to the Foundation. Credit risk arises principally from the Foundation's cash balance. The Foundation holds its cash in a large Canadian financial institution. There has been no change to credit exposure during the year. The fair value of the Foundation's financial instruments approximates their carrying value due to their short term nature. Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Liquidity risk is not considered significant by management as the Foundation's cash flow is controlled by the University, which has a short term line of credit available to meet current and forecasted demands. There has been no change to the risk exposures from 2016.

THE MOUNT ROYAL UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE INFORMATION FOR 2016

5. Accounts Payable and Accrued Liabilities

	<u>2017</u>	<u>2016</u>
Accounts payable and accrued liabilities	\$ -	\$ 6,017
Donations and advances payable to the University (note 9)	<u>266,519</u>	<u>415,061</u>
	<u>\$ 266,519</u>	<u>\$ 421,078</u>

6. Deferred Revenue

Deferred revenue is comprised of unspent externally restricted grants and donations and other revenue.

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 38,685	\$ 54,991
Net change for the year:		
Recognized as revenue	<u>(38,685)</u>	<u>(16,306)</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 38,685</u>

7. Accumulated Surplus

	<u>2017</u>	<u>2016</u>
Accumulated surplus balance	\$ 100	\$ 100

Accumulated surplus includes share capital of \$100; 100 common shares authorized and issued (June 30, 2016 - 100).

THE MOUNT ROYAL UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE INFORMATION FOR 2016

8. Expense by Object

The following is a summary of expense by object:

	<u>Budget</u>	<u>2017</u>	<u>2016</u>
Contracted services	\$ 1,789,807	\$ 1,815,325	\$ 1,507,140
Scholarship expense	-	38,685	-
Fundraising event expense	-	-	42,320
	<u>1,789,807</u>	<u>1,854,010</u>	<u>1,549,460</u>
Donations and fundraising proceeds transferred to the University	7,000,000	4,010,324	13,589,426
	<u>\$ 8,789,807</u>	<u>\$ 5,864,334</u>	<u>\$ 15,138,886</u>

9. Related Party Transactions and Balances

The Foundation is affiliated with the University through a service agreement between the two parties. The balance in the "Due to Mount Royal University" account represents the cash held by the Foundation that is related to donations, grants, and proceeds from fundraising activities received by the Foundation, but not yet paid to the University, as at the end of the year. In addition, fundraising expenses as incurred by the Foundation, but processed by the University are owed to the University. For the year's ended June 30, 2017 and 2016 the following transactions took place between the Foundation and the University.

	<u>2017</u>	<u>2016</u>
Transfers to Mount Royal University, including donations, grants, and fundraising	\$ 4,010,324	\$ 13,589,426
Contributions from Mount Royal University, including contracted services provided to the Foundation	\$ 1,815,325	\$ 2,018,359
Donations and advances payable to the University (note 5)	\$ 266,519	\$ 415,061

10. Salaries and Benefits of Board of Directors and Key Officers

There is no remuneration for services as the Chair or as a Member of the Foundation's Board of Directors. In 2017, the Director of Development position was held in the University with a base salary of \$205,549 (2016 - \$118,765) and other non-cash benefits of \$20,895 (2016 - \$17,959) totaling \$226,444 (2016 - \$136,724), which has been included in contracted services expense.

11. Pledges Receivable

The value of pledges receivable as of June 30, 2017 is \$3,408,890 (June 30, 2016 - \$3,863,188). These pledges have not been recorded in revenues or accounts receivable due to uncertainty that the benefits will be obtained.

**THE MOUNT ROYAL UNIVERSITY FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017, WITH COMPARATIVE INFORMATION FOR 2016**

12. Economic Dependence

The function of the Foundation is primarily to generate support for the University. It is physically located on the University Campus and is economically dependent on the University for its operations. The Foundation expects the committed funding from the University will be sufficient to continue as a going concern through its current and subsequent reporting periods.

The Foundation does not have any externally imposed capital requirements.

13. Budget Figures

Budgeted figures have been provided for comparison purposes and have been derived from the Foundation's Budget Plan as approved by the Board of Directors on May 18, 2016.

14. Approval of Financial Statements

The financial statements were approved by the Board of Directors of Mount Royal University Foundation at their meeting dated September 27, 2017.